



# Kinship Social Capital and Entrepreneurship Development: A Comparative Study For Internal And International Migrant of Minangkabau Ethnic

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## Abstract

Kinship social capital can function as an important source of social capital for welfare and economic development. Kinship social capital has potency to improve entrepreneurship activity. Kinship social capital may provide some benefit as reducing transaction cost, facilitating access toward information, providing informal insurance and helping to solve collective action dilemma. There is one in Indonesia, in which it is popular called as Minangkabau and has strong norms and values in building entrepreneurship. Minangkabau society have high number and potency in entrepreneurship. Minangkabau tribe is one of the ethnics in Indonesia that have matrilineal system and as travelling ethnics. The purposes of this article are identifying and comparing kinds of social capital and its phase of effects toward entrepreneurship building of Minangkabau ethnic in internal and international Migrant. The respondents in this study are Minangkabau ethnic entrepreneurs in Jakarta (internal Migrant) and Minangkabau ethnic traveler entrepreneurs in Malaysia (international Migrant). The method used in this study is Structural Equation Model (SEM). Based on the estimated result, it is found that the two Minangkabau ethnic travel areas have differences and similarities in their social capital. The mutual interrelationship and activities are social capital that underlie entrepreneurship building in both internal and international migrants. Social capital that the Minangkabau has does not affect the entrepreneurship building for the migrants.

Keywords: Kinship Social Capital; Entrepreneurship; Internal and International Migrant; Minangkabau Ethnic  
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## 1. Introduction

Adam Smith, the classic economic leader said that the economic life has rooted beneath social life. Economic cannot be understood separated from culture and social culture (culture values) in which the economic process runs in it. Fukuyama (2002) saw the trust as a social capital comes from culture values. It has benefits in creating leading economic system as it can reduce cost.

Social capital has important contributions toward development, specifically for achieving sustainable development. A country with high social capital, measured by the trust from foreigners. Collective values, informal network and association membership have effects toward economic development (Knack dan Keeper, 1997; Herpen, 1999; Stephen, 2004). In United States of America, social capital is proven for reducing the poverty level and

improving the rate of the country economic growth (Rupasingha dan Goetz, 2007). In economic sector, social capital is also used for explaining the economic growth phenomena in the level of area. The strong social capital network bidding is, it will improve the area's economic growth (Putnam, 1993; Kraybill dan Weber, 1995; Castle, 1998; Barkley, 1998; Rainey *et al*, 2003; De Souza Briggs, 2003; Flores, 2003; Beugelsdijk, 2004; Tabellini, 2006; Ahlerup *et al*, 2009; Sirven, 2006; Krishna, 2008).

In the micro level, it has also been proven that the contribution of social capital toward household income and welfare improvement (Narayan and Pritchett, 1999; Grootaert, 1999; Maluccio *et al*, 2000). In the level of industry, social capital contributes toward the industry performance (Fafchamps and Minten, 1999; Sulastri, 2005; Zhang and Gay Fung, 2006; Fafchamps, 2007).

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In recent thought, social capital in the society can also build entrepreneurship. Network connection and particular dimension of social capital as trust has connection with entrepreneurship chance. Contact with people within social capital bridging network positively and significantly affect chance to be entrepreneur. Kinship network is a base structure of social capital relationship that form trust in the society. Social capital gives impressions of availability and easy permission to create new business. Social capital functions as an information line of innovation and market availability. Entrepreneurs can move social capital to identify entrepreneurship chance, grow entrepreneurship competence and create the entrepreneur characteristic. In the area that has strong social capital can create entrepreneur and entrepreneurship activity (Caralis dan Saporito, 2006; Ferrante dan Sabatini, 2007; Ferri *et al*, 2009; Hung and Hsiao, 2004).

Kinship social capital can provide some benefits such as able to reduce transaction cost, facilitate access toward information, providing informal insurance and help to solve collective action dilemma (Coleman 1990, Kranton, 1996; Woolcock, 2001, and Platteau, 2000). The kinship member who has already achieved economic success in modern sector can be faced with the responsibility for sharing with partners who have not success yet. This can be meant as sending money, searching for jobs in cities or becoming host in the city (Hoff and Sen, 2006).

One country in Indonesia that is popular called as Minangkabau, its society have strong culture (norms and values) in building entrepreneurship. Minangkabau society have high potency in entrepreneurship. Business activity is an implementation of entrepreneurship values that the Minangkabau society have (Naim, 1984). The Minangkabau ethnic entrepreneurship potency today is dominant. Minangkabau people are known for their travelling culture. They are spread through out the country from Sabang until Merauke, even there are Minangkabau people through out the world as Malaysia, Singapore, Philipine, Australia until the American industry. There, their number is double ore more. Minangkabau people overseas work as entrepreneur. Seventy per-one hundred of total Minangkabau people overseas work as entrepreneur.

Based on study by Baqi, AI, *et al* (2000) Minangkabau entrepreneurs overseas are helped a lot by other Minangkabau entrepreneur from the same hometown area. The helps given by other Minangkabau entrepreneurs are working place, lending commodities and doing exchange with other Minangkabau entrepreneurs to add the commodities variations, giving credit lending as the working capital majority for Minangkabau entrepreneur and Minangkabau communities. This shows that the ethnic similarity is a tight binding factor within the trust network in which can create new entrepreneurs. Based on the things mentioned before, the writer is interested to analyze: first, really acknowledge the kinds of social capital and its phase of effect toward entrepreneurship building in Minangkabau and overseas. Second, comparing the social capital within entrepreneurship development in the country, that is Jakarta; and overseas country, that is Malaysia.

## 2. Social Capital

Social capital was first popularized by three sociologists during the 1980s and early of 1990s named Bourdieu (1986), and Coleman (1988, 1990), Lin (2001a), and a political scientist Robert D. Putnam (1993, 1995, 2000). These for experts had different social capital concepts so that Adam and Roncevic (2003) made them differ into three approaches: Bourdieu approach, approach based on Lin utilitarian network, and normative approach by Coleman and Putnam. Moore *et al*. (2005) grouped them into two approaches: Coleman and Bourdieu network approach, and Putnam communitarian approach. However, Kawachi *et al*. (2008) classified them into two approaches: social cohesion approach by Coleman and Putnam, and network approach by Bourdieu and Lin.

Adam and Roncevic grouped social capital into Bourdieu approach, normative approach by Coleman & Putnam, and utilitarian approach by Lin & Burt. Coleman and Putnam's normative approach focuses on the relationship within social organization as the source of social capital. There are trust, norms, and network in it. Lin and Burt saw social capital as an utilitarian approach. Based on Burt, network consists of three dimensions; they are measurement, density and level of the network. Nahapiet and Ghoshal (1998) categorized three social capital dimensions: structural dimension, relational dimension, and cognitive dimension. Structural dimension is the relationship between individual within network. Relational dimension refers tooprivacu relational attitude that is built among certain people. Social capital cognitive dimension refers to collective statement, interpretation, and meaning system among the sides (Nahapiet & Ghoshal, 1998).

Moore *et al* (2005) in common stated two approaches toward social capital concept such as: (1) Communitarian Approach. This approach was adopted from Robert Putnam's political science work and Ichiro Kawachi's common health study. Communitarian approach for social capital focuses collective values and society norms. As what had been said by Putnam, social capital refers to the specification of social organization, like network, norm, and trust that facilitate mutual cooperation. In common, social capital for communitarian approach is as collective asset or public asset that is available for all group member or society. In practice, social capital measurement is equalized with the trust level, reciprocity, or society involvement.

Diferent from Moore *et al*, Kawachi (2008) grouped two social capital approach, they are social cohesion approach by Coleman & Putnam, and network approach by Bourdieu & Lin. social cohesion is a resource, such as: trust, norms and values that are available for the members of social group (working place and social organization). Different from social cohesion, the network theory is from social capital such as social support, line of information, social trust that root beneath the individual network. Hsing Hsieh, C (2008) made the differences of social capital from social network and social support. Social capital is a concept based on society, but social network and social support are often conceptualized at the level of individual (Kawachi & Berkman, 2000).

Uphoff (1999) formulated different dimension in measuring the social capital. There are two main social capital. They are structural dimension that consists of function, rule, image, procedure; and cognitive dimension that consists of norm, value, attitude, and believe. Robert dan Roche (2001) grouped social; capital in a measurement as structural aspect (relation between people or network) and cultural aspect (responsibility or social norms, values and specifically trust). Social capital as structural aspect and cultural aspect have been seen in the definition of social capital that was said by Bourdieu (1986). The same views are stated by Putnam (1993), Coleman (2000), Fukuyama (1995) dan Inglehart (1997) that the social capital consists of structural aspect and cultural aspect.

There are three main forms of social capital. First, social capital in the form of friendship bonding between the family members (family and colleague), group or the same ethnic group. The term of bonding refers to the relation between the people who know each others well such as family members, close friends, and neighbours (Gittel dan Vidal, 1998). Second, social capital bridging among many different ethnic groups. Third, social capital in the form of linking between various society social group classes such as the employee with employee, government with the people and the rich group with poor group (Woolcock and Sweetser, 2002); Cote and Healy, 2001) Warren et al. 2001, Lyberaki & Paraskevopoulos, 2002 and Briggs, 2004 ).

The social capital consists of two key components. They are network and social source in the form of norms and values such as: trust, resiprositi, participation, solidarity and cooperation. These two key components have the same and different measurement for every researcher. The network is measured as social capital proxy used by Der Gaag and Snijder (2003); Yang, K (2007); Mancinelli and Mazzanti (2004); Sabatini (2005); Beugulsdijk and Smulders (2004). Social capital as a proxy in social capital measurement was used by Yang, K (2007); Kaasa (2009); Bjornskov (2001); Harpahan (2002); Harper, R and Kelly, M (2003); Krishna (2004); and Njuki, *et al* (2008). Network in collective that is measured as social capital proxy was used by Coleman (1988; 1990); Putnam (2000); Moore *et al* (2005) Grootaert and Bastelear (2002); Cote and Healy (2001); Antoci *et al.* (2007) and Sabatini (2009).

### 3. Kinship Network and Social Capital

Kinship network is formed by lineage, marriage, or adoption. Kinship is a collective institution, therefore kinship is an important pillar of social capital in urban and suburban society. Kinship bonding can function as an important resource of social capital for welfare and economic building (Sanders dan Nee, 1996). Grimm Michael *et al* (2011) added that family and kinship in urban area have potency to improve entrepreneurship activity. Kinship network also give contribution toward social capital. The social capital produced by the interaction between family and other performers in the society improves the resource for family and network (Hogan 1998).

Kinship social capital can provide various benefits such as reducing transaction cost, facilitating access toward

information, providing informal insurance and helping to solve collective action dilemma (Coleman 1990, Fafchamps, 1996, 2001, 2002; Kranton, 1996; Woolcock, 1998, 2001, and Minten Fafchamps, 1999; Platteau, 2000; Knorringa and Van Staveren, 2006). Colleague member that have reached economic success in modern sector can be faced with the responsibility to share with partners who are less success. This can be meant as sending money, finding jobs in city or becoming host in the city (Hoff dan Sen, 2006).

Grimm Michael *et al* (2011) found that family and kinship in urban area improves the number of workers and capital that are used for production. This relation shows semi building and mutual relationships. Kinship social capital can give credit, workers, insurance, and access to clien and market. The same view was also stated by Weidenbaum and Hughes (1996) that informal relation between colleagues can develop into mutual relationship in founding credit association, and company. A strong kinship bonding support credit or grant for business and provide cheap workers. They also support membership sharing and avoid the direct competition that may result family network dominates certain industry. Within the informal entrepreneur sample in Bobo-Dioulasso (Burkina Faso), he stated that family and kinship relationship only represent a quarter of all entrepreneur bonding. He found positive effects for the two kinds of boncing on the addition value and income. He also underlie the kinship bonding role to the resource startup. However, he stated that the more educated entrepreneur seems rely on the weak relationship. This shows their capability to develop a more flexible relationship. The high internal trust can provide non-member of family and institution distrust, prevent a productive relationship. Strong family system is often found in places with weak laws, such as Italy (Gambetta 1993) and India (Milner 1994).

However, some experts stated negative external effect of kinship network. DiFalcod and Bulte (2011) found evidence that kinship relationship is related to higher budget for non-commodity stocks. Baland, Guirkingier, and Mali (2007) analyzed credit attitude and found that some people took credits even without liquidity constraints just gave credits supports to colleagues. Berrou (2010) explicitly made differences between family and kinship business relationship on one side and socialization relationship on the other side. Hoff and Sen (2006) talked much about social contract among the family members. Moral responsibility for sharing and redistribution that is supported by culture and norms may give possibility to kinship member claims the support from their colleague in facing difficulties. However, the post redistribution prospect may affect the outcome and saving decisions. Mandatory contribution toward family is similar to family taxes so that it can prevent individual to work hard and accumulate assets. Kinship relationship may become an important constraint in transition process. Gargiulo dan Benassi (1997) stated their opinion that the strong kinship relationship can also limit entrepreneur's ability to keep the control on business network composition. Choosing to leave the kinship system and reject to fulfil the responsibility may give them strong sanction and high psychologist cost (Model Hoff and Sen, 2006).

#### 4. Entrepreneurship

Based on the description of entrepreneurship by Drucker, 1994 and Zimmerer (1996), entrepreneurship is an ability to create something new and different. Schumpeter (1934) and Kirzner (1997) stated different perspectives on entrepreneurship chance (Shane, 2003). Schumpeter (1934) believed that new information is important in explaining the availability of business chance. The change of technology, political pressure, macro factor and social tendency to find new information can be used by entrepreneur to get and recombine resource in a more valued form. Shane (2003) and Zimmerer (1996) pushed Schumpeterian perspective that entrepreneurship chance in outline consists of three sources. They are the change of technology, the change of (basic) rule and politic, also the change in social and demography.

Schumpeter (1934) create a tipology with four entrepreneurship chances such as: (1) new product and new service, (2) new market region (area), new raw material (supply), (4) new method and (5) new way in managerial. A new type from accounting software is a form of chance from new product. Internet is also a new form of chance that comes from new organization. The example is snack that is made from seaweed is produced in Indonesia in which it was produced in Japan before is a form of chance to look for new market region. An example of form of chance that can be categorized in new raw material is the findings from biogas.

The tipology of entrepreneurship chance that was stated by Schumpeter was tested in Ruef's analysis (2002). He analyzed the entrepreneurship chance toward 766 entrepreneurs and found that 56% of the entrepreneur respondents introduced new product and service, 85% new market, 9% new production, and 43% new way of supply and distribution organization. Gioia, 1989; Kelly, 1988; Kelly and Amburgey 1991; Barnett and Carroll 1993; Davisson *et al*, 1994 in their studies used new form formation proxy to see the business chance (in Shane, 2003)

Individual characteristic is important to find entrepreneurship chance (Shane, 2003). This means as an ability to build new (creative) ideas and find also create new ways to solve the problems and face chance (innovation). The meaning of creativity based on (Meredith, 1983; *The Officer of Advocacy of Small Business Administration* (1989); Zimmerer (1996) Zhao, Hao and Seibert, 2006; Pines and Levy, 2005) and innovation (Mc Celland, 1961; Casson, 1982; Meredith, 1983; Chyekoh, H, 1996; Gurol, Y, 2006; Yu Chen, W, *et al*. 2008; Zhao, Hao and Seibert, 2006) is a personal characteristic from entrepreneurship that mainly possessed by an entrepreneur beside of the other characteristics. The main psychological force that motivates the entrepreneurs is the need for achievement in which it must be possessed by an entrepreneur (Meredith, 1983; Chyekoh, H, 1996; Entrialgo, M, *et al* 2000; Shane, 2003; Gurol, Y, 2006; Turan dan Kara, 2007; Pillis, E and Reardon, KK, 2007; Ahmad, H.M, 2010).

An entrepreneur is not a gambler. The moderate risk taking is an important thing in order to make entrepreneurs become success. They place destinations that require high work performance, a level in which they believe it will need

hard work but they believe they can fulfil (Meredith, 1983; *The Officer of Advocacy of Small Business Administration* (1989); Dan Steinhoff and John Burgess, 1993; Chyekoh, H, 1996; Shane, 2003; Gurol, Y, 2006; Turan and Kara, 2007; Ahmad, H.M (2010). An entrepreneur must work hard. An entrepreneur shows a far higher energy compares to people in common. They actively comport and have big time proportion in doing task with new way (Dan Steinhoff and John Burgess, 1993; Zhao, Hao and Seibert, 2006). Confidence is an important quality of the entrepreneur's attitude. An entrepreneur has believe and trust to reach success (Meredith 1983; Zimmerer, 1996; Chyekoh, H, 1996; Gurol, Y, 2006; Turan and Kara, 2007. An entrepreneur does planning and think forward. They look for and anticipate possibilities that will happen in far future (Meredith, 1983; Zimmerer, 1996; Dan Steinhoff and John Burgess, 1993; Pines and Levy, 2005; Turan and Kara, 2007).

Financial benefit is number two rather than the important meaning of their working achievement (Meredith, 1983; *The Officer of Advocacy of Small Business Administration*, 1989). An entrepreneur must have personal responsibility to reach the destination (Zimmerer, 1996; *The Officer of Advocacy of Small Business Administration*, 1989; Dan Steinhoff and John Burgess, 1993; Turan and Kara, 2007). Flexibility is an entrepreneur's attitude that makes them success. The entrepreneur's response toward changes is relative higher. For an entrepreneur, every change is considered to have chance (Meredith, 1983; Zimmerer, 1996; Turan and Kara, 2007).

Based on study by Lambing (2000), most respondents became entrepreneurs because of their experience. Thus, they have entrepreneur soul and characteristics. This experience will produce competence. The competence itself is determined by business knowledge and experience.

Cheng and Dainty (2003) added that competence is viewed as an attitude, action or result that a person may achieve at work. At least there are two meaning in the use of competence. They are competence as an individual personal attitude and competence as a minimum working standard (Strebler *et al*, 1997). In the studies by Bartlett and Ghoshal (1997); Stoof (2005) the three categories of competence are attitude and characteristic, knowledge and experience, and ability. Stuart and Lindsay (1997) stated that the same competence is also described as a person's ability, knowledge, and personal characteristic.

Based on Man *et al* (2002) and Bird (1995), competence that is needed by an entrepreneur is a competence to start new business and competence to run business (business growing) or managerial competence. Entrepreneurship competence as a competence that creates chances (Shane and Venkataram (2000), Venkataram (1997), Izquierdo and Deschoolmeester (2005), Man *et al*. (2002), Lans *et al* (2005), Man and Lau (2000), Mitchelmore and Rowley (2010), Kuriloff *et al* (1993). Competition of chance is one of the competences that most differs entrepreneurs from non-entrepreneurs. Next, entrepreneurship competence is a competence to run and grow business. This competence is often called as managerial competence (Dan & Bradstreet Business credit Service (1993), Inyang and Enuoh (2009),

Hood and Young (1993), Onstenk (2003, Lans *et al* (2005), Mitchelmore and Rowley (2010) Sony and Iman (2005). An entrepreneur must has Marketing ability Dan & Bradstreet Business credit Service (1993), Huck and McEwen (1991) and Financial ability (Inyang and Enuoh (2009), Kuriloff *et al* (199) also Social competence (Onstenk (2003), Izquierdo and Deschoolmeester (2005), Man *et al.* (2004), Lans *et al* (2005), Kuriloff *et al* (1993). Operational competence (Mitchelmore and Rowley (2010), Kuriloff *et al* (1993), Sony and Iman (2005), by Baum (1994).

## 5. Immigrant Entrepreneurship

The entrepreneur's important role is more acknowledged in pushing the economic growth (Dana, 2007). The immigrant entrepreneurs give benefits to the country they move to (travel to). The immigrant entrepreneurs can improve the growth in particular sectors as they can create working chances, social capital development, improve various goods and services that are available and broaden consumer's choices (Rath *et al*, 2002 and Light and Gold, 2000).

The factor that supports immigrant entrepreneurs to move is recently caused by globalization, political problem in the origin country, and supported by the will to reach better and more stable future (Vargas, 2005). The immigrant entrepreneurs face different things compared to what they found in their origin country, such as: values, trust, attitude, and business practice (Azmat, 2010). However, the immigrant entrepreneurs face challenge from different values, policy, institution environment, culture and responsibility perception that are different in overseas country (Azmat, 2010). Social capital that exists among the immigrant entrepreneurs (ethnic entrepreneurs) is important to build their business. In common, the immigrant entrepreneurs make relation with the market (user) and the supplier that come from their ethnic.

## 6. Minangkabau Ethnic's Social Capital, Entrepreneurship and Travelling Attitude

The Minangkabau society is known for their strong Islamic believer and strong culture. Their culture philosophy is outlined in the Minangkabau proverbs or fatwas that is composed by their ancestor based on the nature and Islamic religion teaching so that it is known **Adat Basandi Sarak, Sarak Basandi Kitabullah, Sarak Mangato, Adat Mamakai**. The meaning of this proverb is that Minangkabau culture is guided by Islamic teaching and the Islamic teaching is based on the Holy Quran. What the Islamic teaching says is the guidance in the Minangkabau culture implementation (Idrus, 1992). Minangkabau ethnic is one of the ethnics in Indonesia that implement matrilineal kinship system, and is the highest number of population in Indonesia after Javanese, Sundanese, and Maduranese. The dominant characteristics of Minangkabau ethnic are that the lineage is from the women line and the smallest family is tribe. The smallest group in Minangkabau society is tribe, while the biggest is *nagari* (Amir, 1999 and Erwin, 2006).

The individual life in the tribe is a Minangkabau society fundamental characteristic that is called by collective

belonging. Every individual becomes the collective belonging to the group. While on the other hand, every group (tribe) becomes the belonging of all individual that become the group member. This sense of belonging each other becomes the source of the high solidarity existence, togetherness and the sense of helping each other. Every individual will love the tribe group and every member of a tribe will always help and protect every individual. An individual's life toward the tribe is like the fish and water. The fish is the individual, while the water is the tribe where they live. If the fish is taken out from the water, it will die soon. It is accordance to the Minang proverb: *Suku yang tid*. This is one of the forces for Minangkabau men to travel.

The courage to *merantau* (leaving the hometown in the search of knowledge and livelihood) and to gain success in achieving goal are mustered by the strong kinship spirit because the kinship bond is even much stronger among people living outside their hometown. This notion is embodied in one famous *pepatah petiti* (proverb) in Minangkabau '**Kok jadi bujang ka pakan, iyu bali, balanak bali, ikan panjang bali dau**. **Kok pai bujang ka pakan, induak cari dun sanak cari, induk samang cari dau** (Nasroen, 1971). This proverb carries the idea that someone leaving his hometown must find parents and relatives in that new place. The more important thing is finding either *induk semang* (owner) who can perform the obligation as parents or relatives (*mamak*) who has been regarded as his/her own family. *Induk Semang* (owner) is someone capable of giving valuable advices, and of giving help when necessary. Further, *Induk semang* (owner) is the substitute of *mamak* in that new place. Thus, *anak semang* called *Induk semang 'mamak*;

A study conducted by Darwis (2003) disclosed that *induk semang* does not serve as *boss* who always gives order. Instead, *induk semang* serves as highly respected *Mamak* whose actions should become the role model, to whom someone goes while searching for advice and with whom someone can learn many valuable knowledge. The relationship between *induk semang* and *anak semang* in entrepreneurship does not represent employee employers relationship, but it represents equal relationship in which both actively involve in discussion and certain activities. The relationship between *induk semang* and *anak semang* is built upon the strong sense of belongings (togetherness spirit), so it prevents *induk semang* from behaving like employers. *Induk semang* possesses boundless toleration leading to the willingness to struggle for the benefit of *anak semang*. As a result, it fosters high motivation to work hard, to be spiritfull, to be loyal and honest.

Within Minangkabau society, the social responsibility of an individual is deeply rooted in cultural tradition which regulates social relationship in society, the pattern of kinship relationship between *mamak-kemenakan* (the relationship between a member of family/kemenakan with male relative from mother's lineage), the relationship of *suku sako* and *induk bako anak pisang* (the relationship between a member of family/ *anak pisang* with any relative from father's lineage), and the relationship of *kerabat sumando pasumandan* (the relationship between a family member/pasumandan with the sister's husband or the

*brother's wife* ) (Erwin, 2006). These relationships will eventually form many social relationships in the form of family ties and family bond. As a result, those relationships become the seed to the growth of togetherness and of common fate which at the end foster the feeling of toleration and mutual cooperation in reaching more prosperous life.

In social life, the Minangkabau tradition upholds the principles of high solidarity, cooperation and mutual assistance. These principles are embedded in one underlying fundamental: ***Kok mandapek samo balabo, kahilangan samo barugi, Nan ado samo dimakan, Nan tidak samo dicari.*** Literally, it means sharing happiness for something you have gotten, mourning together for something you have lost, sharing what you get, and seeking what you do not have together. This principle conveys the idea that in achieving mutual goal, every member of society should share happiness and sadness with others as the embodiment of harmonious relationship among the members of society. In addition, another proverb also reinforces the idea by saying ***Barek samo dipikua, Ringan samo dijinjang, Nan tidak samo dicari, Sasakik sasanang, Kabukik samo mandaki, Kalurah samo manurun, sahayun Salangkah.*** The notion explains that everyone within the society should share either happiness or sadness, help each other, and preferably work together in reaching particular goal. Moreover, it also explains that every society member should maintain the sense of togetherness in life. (Nasroen, 1971 dan Darwis, 2003).

Witrianto (2008) explains his study on the structural changes in the family of Minangkabau ethnics living outside their homeland. He states that migration from their homeland to a new place has resulted in significant changes in the Minangkabau family residing outside which are greatly different from family structure existing in their homeland. The changes of the family structure in Minangkabau ethnic living outside their homeland constitute family ties which have shifted from matrilineal to become bilateral, the structure of power from *mamak* to father, the structure of responsibility from *mamak* to father, and the inheritance system from solely for daughter to son and daughter. The longer a family lives in a new place, the farther they are uprooted from their original cultural tradition, particularly a tradition related to matrilineal family ties. Traditionally, a man in Minangkabau has a duty to be a leader in his family (the family of his mother). This man has responsibility to guard and protect his sisters and his sisters' children, both his sisters' daughters and sons. According to tradition, a *mamak* deserves more obedience from children than the fathers. Serving his duty as *mamak*, a man in Minangkabau ethnic has unavoidable obligation to fulfill all material needs of his sisters and his sisters' children.

## 7. Entrepreneurship of Minangkabau Ethnic

West Sumatera is one of provinces in Indonesia which is also famous as Minangkabau. West Sumatra (Minangkabau) is one of the most fertile areas existing in Indonesia. The tribe of Minangkabau is one of 140 ethnic groups which are spread in over 3000 islands in Indonesia.

According to Mochtar Naim (1984), the people of Minangkabau have excellent entrepreneurship potential. The activities in commerce represent the implementation of entrepreneurship values prevailed in Minangkabau society which serve as the device to improve the dignity of family. The ability in selling and purchasing good is an innate talent for Minangkabau people, or something that they do not have to learn. The people of Minangkabau give their best effort to seek better life and to involve in the commerce activity in every level starting from small, medium, and big enterprises. Minangkabau people always conduct their activities in commerce from a small scale level in the hopes of expanding their business into a large scale so that they can survive and be independent.

The people of Minangkabau living outside West Sumatra possess distinctive nature in which they do not want to work for somebody else for a longer time. While working in somebody else's business, Minangkabau people will carefully learn how to run business before quitting job to establish their own business (Effendi, N, 2005). Minangkabau people have strong inner spirit for standing on their own feet and enormous persistence. While living in such new place, they do not want to be labor and work for other people. Instead, they prefer to find such job which makes them feel free, independent and become the master of their own (Naim, 1984).

Further, Mochtar Naim (2007) also explains that the main life's goal of Minangkabau people that have been inseparable part from Melayu ethnic group lies on commerce sector. It has been proven from the historical fact when the Archipelago's coastal areas had not been controlled and overtaken by other foreign countries such as Portugal, Spain, Dutch and England in the 16<sup>th</sup> century. Sailors and businessmen from Malay ruled the areas and established the centre of commerce in Malaka in which those merchants participated in world market.

In the fields of economics and commerce, Minangkabau people have long performed Islamic teaching-based economic system. Moreover, they should be proud of themselves because they have become the pioneers in establishing restaurants which can be found in all areas around Indonesia. Minangkabau people also initiate the managerial principles based on kinship which applies profit sharing without providing salary. In the system of RMM (Minang Restaurant), the capital owners establish horizontal relationship.

## 8. Data and Methodology

This research involves qualitative data. Primary data are obtained from information gained through survey which involves questionnaires responded by Minangkabau people who work as businessmen. Respondents which participate in the survey conducted in Jakarta are 227 people, and respondents who reside in Malaysia are either 227 people. This study will be conducted in Minangkabau, Sumatra Barat and other areas. The choice of Minangkabau and other areas which become destination for working as the research locations is purposive.

A study on social capital prevailed in destination areas for working will be conducted in selected location which is also chosen in purposive manner. The research location will include Jakarta, particularly Jabodetabek (Jakarta, Bogor, Depok, Tangerang dan Bekasi) and Kualalumpur, Malaysia. Both Jakarta and Kualalumpur are chosen as the research locations as they are capital cities and metropolitan areas. Innumerable Minangkabau people move to such commerce and centres and metropolitan cities as Jakarta particularly Jabodetabek (Jakarta, Bogor, Depok, Tangerang dan Bekasi) and Kualalumpur, Malaysia. Those destination areas have very distinctive characteristics since they are located in different countries. Jakarta is the primary destination area for Minangkabau people to work in Indonesia, and Malaysia is preferable area for them to stay outside Indonesia because Malaysia has strong socioeconomic condition and strict rules for immigrants.

Social capital consists of two important aspects, those are structural and cultural aspects (Robert and Roche, 2001). Social capital variables considered as exogeneous latent variables include structural aspect and social capital. Structural social capital constitutes social kinship. Thus, the research will focus on elaborating the discussion on structural social capital. Stone and Hughes (2002) state that social capital varies depending on its network type.

Endogenous latent variable which involves in this research is the cultural aspects of social capital such as Trust (TR), Reciprocity (RC), Participation (PS), Cooperation (KS), Social Responsibility (TJS), Solidarity (ST) and Togetherness (KB). These endogenous latent variables will be treated as intervening variables while endogenous latent variable which will be treated as dependent variable is Entrepreneurship (KWU). Dependent latent variables from Entrepreneurship are Business Opportunity (PLU), Entrepreneurial Competence (KPMU) and Characteristics of Entrepreneurs (KRK). Therefore, this research applies Structural Equation Modeling (SEM) method as the data analysis technique.

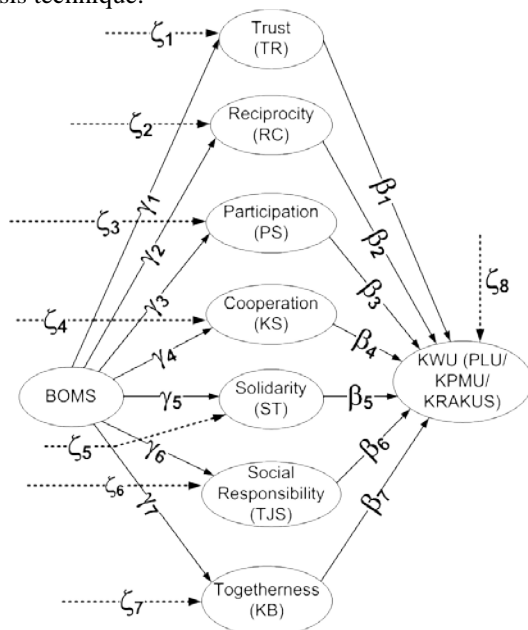


Figure 1. Structural Model: Research of Social Capital and Minangkabau Entrepreneurship

Two models needing to be formulated in the use of SEM application are structural model and measurement model. Structural model is formulated in the form of structural equation shown in Equation (1) below:

$$TR = \gamma_1 BOMS + \xi_1 \quad (1)$$

$$RC = \gamma_2 BOMS + \xi_1 \quad (2)$$

$$PS = \gamma_2 BOMS + \xi_1 \quad (3)$$

$$KS = \gamma_2 BOMS + \xi_1 \quad (4)$$

$$ST = \gamma_2 BOMS + \xi_1 \quad (5)$$

$$TJS = \gamma_2 BOMS + \xi_1 \quad (6)$$

$$KB = \gamma_2 BOMS + \xi_1 \quad (7)$$

$$KWU = \beta_1 TR + \beta_2 RC + \beta_3 PS + \beta_4 KS + \beta_5 TJS + \beta_6 ST + \beta_7 KB + \xi_8 \quad (8)$$

After measurement model has been successfully formulated, the next steps, based on samples of data set, are estimating model parameter samples and testing their compatibility with the data. The test on the compatibility of measurement model intends to achieve two main goals. First, to evaluate whether or not suggested measurement model has fitted with the data. This evaluation can be performed by using the test of Chi Square, Cmin/df, RMR, GFI, AGFI, NFI, RFI, IFI, CFI, PRATIO, PNFI, PCFI, RMSE A, AIC Default model, Saturated model, Independence model and ECVI Default model, Saturated model, Independence Model.

## 9. Result and Discussion

Test on fit model is conducted on three models, those are, kinship social capital model and business opportunity, kinship social capital model and entrepreneur characteristics, and kinship social capital model and business capability in Jakarta and Malaysia. By using SEM model, construct estimation is conducted on two models, those are measurement model and structural model. The first step involves measurement model estimation by applying Confirmatory Factor Analysis (CFA). The objective in the estimation of measurement model is to test whether the model fits the data (Unidimensional Test).

The test results using the model fit of chi-square test, Cmin / df, RMR, GFI, AGFI, NFI, RFI, IFI, CFI, PRATIO, PNFI, PCFI, A RMSE, AIC and ECVI imposed on the three models in Jakarta and Malaysia show that model test fits very well and suits the criteria of overall model fit test. Therefore, the three models of kinship social capital and entrepreneurship in Jakarta and Malaysia considered as representative model. After performing this test, the next step is estimating the structural model.



Table 1. Result of Fit Model Test for Kinship Social Capital Model dan Entrepreneurship of Minangkabau Ethnic in Malaysia and Jakarta Overseas.

Fit Model Test	Result of Fit Model Test					
	Kinship Social Capital Model and Business Opportunity		Kinship Social Capital Model and Characteristics of Entrepreneurs		Kinship Social Capital Model and Entrepreneurial Competence	
	Jakarta	Malaysia	Jakarta	Malaysia	Jakarta	Malaysia
Chi Square	3.264	2.311	3.671	7.482	4.599	2.311
P Chi Square	0.071	0.05	0.160	0.279	0.100	0.805
Cmin/df	0.006	0.462	1.836	1.247	2.299	0.462
RMR	0.997	0.012	0.006	0.012	0.007	0.011
GFI	0.857	0.998	0.996	0.993	0.996	0.998
AGFI	0.997	0.980	0.920	0.945	0.899	0.980
NFI	0.910	0.998	0.997	0.992	0.996	0.998
RFI	0.998	0.983	0.949	0.954	0.935	0.983
IFI	0.998	1.000	0.999	0.998	0.998	1.000
CFI	0.028	1.000	0.999	0.998	0.998	1.000
PRAT IO	0.028	0.139	0.056	0.167	0.056	0.139
PNFI	0.028	0.139	0.055	0.165	0.055	0.139
PCFI	0.100	0.139	0.055	0.166	0.055	0.139
RMSE A	90.000	0.000	0.061	0.033	0.076	0.000
AIC Default	91.264	82.311	89.671	85.482	90.000	82.311
AIC Saturated	1316.57	90.000	90.000	90.000	90.599	90.000
AIC Independence	3	971.688	1302.975	985.321	1297.407	1019.524
ECVI Default	0.398	0.364	0.397	0.378	0.398	0.364
ECVI Saturated	0.404	0.398	0.398	0.398	0.401	0.398
ECVI Independence	5.826	4.300	5.765	4.360	5.741	4.511

The result of structural model estimation for both areas explained in Table 2 shows that solidarity, corporation, togetherness, and social responsibility do not play significant role in kinship social capital model for Minangkabau people in developing business opportunity either in Jakarta or in Malaysia.

Table 2. Estimated results of the relationship in the Kinship Network Against Minangkabau Ethnic Social Capital in Jakarta and Malaysia Overseas

Construct Correlation	Coefficient	
	Jakarta	Malaysia
TR <--- BOMS	0.172*	0.188*
RC <--- BOMS	0.391*	0.371*
PS <--- BOMS	0.310*	0.374*
KS <--- BOMS	0.320*	0.249*
ST <--- BOMS	0.274*	0.261*
TJS <--- BOMS	0.183*	0.369*
KB <--- BOMS	0.209*	0.303*

Important social capitals prevailed in kinship network of Minangkabau people for the establishment of business opportunity in Jakarta are Trust and Reciprocity; while in Malaysia, they include reciprocity, trust, and solidarity. However, Trust and Solidarity have negative effect on the development of business opportunity in Malaysia. The parameter coefficient value for the relationship of TR construct is -0.164; construct RC is 0.274; construct PS is 0.184 and construct ST is -0.196. The values of parameter coefficient show that Trust and Solidarity have negative relation with business opportunity. The higher the trust and solidarity of the businessmen to their relatives is, the lower the business opportunity will be.

This condition happens because those migrants do not have high willingness to achieve something greater in another area. The main reasons of this devoid of willingness are the strict law imposed on them to be citizen and the difficult step they should undergo to obtain permission for running the business. As a result, they struggle and receive support from their relative not to establish and develop their business in Malaysia, but they invest their money for certain

purposes in their homeland. Generally, they invest their income in their homeland in the form of houses, savings and investment in the business. They prefer to invest their money in the hopes of having sufficient capital when they return to the homeland. Azmat (2010) explored that entrepreneurial immigrants face challenges due to different values, policies, institutional environment, culture and a different perception of social responsibility existed in overseas.

Trust from the business owner given to his/her relative related to overall business management as well as solidarity decreases creativity which eventually prevents innovation to grow. Trust and solidarity from the business owner given to his/her relatives make them unable to instill creative thought which at the end lower the possibility of innovation in creating business opportunity.

The estimation result concludes that social capital gives not only positive effect but also negative effect for the development of entrepreneurship. Coleman (1990) strengthened this notion by stating that social capital has two main functions, those are positive and negative effects. He focused on positive effect of social capital; however, several forms of social capital such as norms also hamper some actions to come into existence. Adler and Kwon (2002) further explained that social capital has positive and negative potential. In business context, Porter and Landot (1996) argued that social capital has negative effect. Norms persisted in one area become the factor that limit individual freedom and business initiative. Putnam (1993) had responded on the criticism from Portes (1996) and admitted that social capital has its dark side. Strong interpersonal relationship in one group or unity triggers resistance for change and presumably also obstruct creativity and innovation (Leana Van Buren, 1999). Weslund, H and Boton, R) emphasize that social capital existing as society characteristics hampers innovation and courage to take risks which become the inseparable part from entrepreneurship. Collective commitment network and loyalty impede entrepreneurship.



Table 3. Estimated results of the relationship in Social Capital Against Entrepreneurship Development in Malaysia and Jakarta Overseas

Social Capital in Kinship Network	Parameter Coefficient					
	Business Opportunity		Entrepreneurship Characteristics		Entrepreneurship Competence	
	Jakarta	Malaysia	Jakarta	Malaysia	Jakarta	Malaysia
Togetherness (KB)	0.187	0.040	0.086	-0.025	0.245	0.053
Social Responsibility (TJS)	0.073	-0.100	0.154	0.043	0.263	-0.016
Solidarity (ST)	-0.014	0.196*	-0.118	0.030	-0.134	-0.057
Corporation (KS)	-0.014	-0.041	-0.026	0.457*	0.058	0.402*
Participation (PS)	-0.075	0.184*	-0.156	-0.030	-0.134	0.051
Reciprocity (RC)	0.406*	0.274*	0.214*	0.179*	0.310*	0.227*
Trust (TR)	0.139*	0.164*	0.434*	0.012	0.313*	-0.094

\* Significant

Construct Social Responsibility (TJS), Corporation (KS) and Togetherness (KB) serving as the sources of social capital for Minangkabau ethnic in developing entrepreneurship have insignificant contribution to the establishment of business opportunity in Malaysia. The value of parameter coefficient for the relation between business opportunity and construct TJS is 0.100; construct KB = 0.040; and construct KS =0.041

Relating to the relationship between kinship social capital and entrepreneurship characteristics as well as the relationship between kinship social capital and entrepreneurial competence in Malaysia, there are two constructs that significantly influence entrepreneur characteristic and entrepreneurial competence are Reciprocity and Corporation. Meanwhile, Social Responsibility, Togetherness (KB), and Solidarity (ST) serving as the sources of social capital for Minangkabau ethnic in developing entrepreneurship have insignificant contribution to the establishment of entrepreneur characteristic and entrepreneurial competence in Malaysia and in Jakarta. Similarly, construct Trust (TR) and Participation (PS) that function as the main constructs in social capital (Putnam, 1993) have insignificant contribution to the establishment of entrepreneur characteristic and entrepreneurial competence in Malaysia.

Reciprocity and Corporation as social capital develop in Malaysia result from mutual activities. Grimm Michael et al (2011) Weidenbaum and Hughes (1996) explicate that inner-city kinship system rises the number of labors and capital used for production process due to supportive and constructive relationship among people. It is slightly different from social capital that Minangkabau people living in Jakarta have. Minangkabau people living in Jakarta still have higher sense of trust to their relative than that to non-relatives although reciprocity (mutual activities) has become underlying social capital for the development of entrepreneurship in Jakarta. In overall, the result of this research has little difference from Monnavarian and Ashena (2009), who explain that a positive relationship existing between social capital and entrepreneurship and structural dimension is more important than cognitive dimension in entrepreneurship.

The result of study conducted in Jakarta also shows similar result. Social capitals in kinship network which importantly develop for establishing entrepreneur characteristics are Trust, Reciprocity, Togetherness and Social Responsibility. It can be concluded that social capital in kinship network that Minangkabau people have such as togetherness and social responsibility still develop in Jakarta. On the contrary, these social capitals in kinship network do not develop well and are on the verge of vanishing

immediately for the establishment of entrepreneurship characteristics.

Social capital of Minangkabau people prevailed in their kinship network do not show utmost development for the improvement of entrepreneur capability either in Jakarta or in Malaysia. Social capitals in kinship network which are useful for entrepreneur capability in Jakarta are trust and reciprocity; while, reciprocity and corporation develop in Malaysia.

Social capital of Minangkabau people prevailed in their kinship network do not contribute significant development both in Malaysia and Jakarta because of high risks and great challenges they have found. As a result, these immigrants will think twice and perform such behavior that benefits them.

This notion is also supported by Azmat (2010) by stating that business men coming from other areas face different circumstances from their homeland such as belief value, attitude and business practice. Hamilton *et al*, (2008) also explains similar notion in which he states that immigrants are willing to change their tradition and family values, but they they maintain strong relationship with the culture of their homeland. This attitude is significantly reflected in their business operation.

Witrianto (2008) explains the structural change in Minangkabau family living in other areas. Moving from hometown to another area leads to structural changes in immigrant family which is quite different from structures in their hometown. Some structural changes in Minangkabau family living outside West Sumatra include kinship system shifting from matrilineal to bilateral, power structure from *mamak to father*, responsibility structure from *mamak to father*, and inheritance system previously given solely to daughter to both daughter and son. The longer one family lives in other areas, the farther they deviate from cultural root, especially related to matrilineal kinship system.

Therefore, deviation from the rules is neither new nor strange case for modern Minangkabau family since deviation embodies changes in dynamic society. Minangkabau proverb says *Sakali aia gadang sakali tapian barubah* which literally means once water rises, it changes the surrounding condition. Further, it carries the idea of changes which is considered as *sunnatullah* (Sjafnir, 2006). The concept of changes is not something new, but it is considered as refreshing trend for sociocultural life in Minangkabau family because cultural values and norms always change. Giddens (2005) emphasizes that *cultural values and norms often change over time*. Changes in modern Minangkabau ethnic represents the glory of their ancestor in formulating tradition rules which upholds the idea of *Alam takambang jadi guru*. Nature is the teacher in life providing changes for the better

life. Without changes, someone is not regarded as genuine Minangkabau.

In Jakarta, Social capitals in kinship network which are useful are trust and reciprocity; while, reciprocity and corporation develop in Malaysia. Reciprocity serves as the basis of the development of capital social for improving entrepreneurship in the areas outside their hometown. However, this result does not fit the opinion of Porter and Zhou (1992) who explain that perspective of ethnical entrepreneurship tends to equate success and investment level. The result of the study shares similar opinion as the result of study on Korean ethnic living in the United States which discloses that the correlation between participation level and economic success in entrepreneurship has not been explored yet. Further, reciprocity becomes developing factor (Portes dan Zhou 1992). Strengthened by family membership and ethnic group affiliation, this relationship is fostered by collectivity through limited solidarity. Belief is also important for all individuals to achieve better quality of life for the group (Swedberg and Granovetter 1992). Reciprocal relationship results in qualified resources who is able to facilitate entrepreneurship. This relationship covers ethnic information channel in which people share information and knowledge on business opportunity; establish loan system providing capital to initiate the business or to maintain the business; and network which supplies information access about low wages that their friend receive or unpaid salary of their family.

Entrepreneurs from Minangkabau who live in Jakarta still strongly give trust to their family; meanwhile, trust given to the relatives no longer plays as the dominant factor for the entrepreneurship development. In Malaysia, activities that many entrepreneurs conduct together with their family stand on reciprocal relationship.

## 10. Conclusion

Minangkabau ethnic has important social capital for the development of entrepreneurship which are deeply rooted from tradition and cultural norms existed in Minangkabau. Social responsibility, togetherness and solidarity underlie this development within kinship social capital network in Minangkabau. However, either in internal or international migrants, these social capitals begin to diminish. The results of study prove that social capital developing in the development of entrepreneurship in internal migrant are trust and reciprocity. On the other hand, social capital developing in the development of entrepreneurship in international migrant particularly in Malaysia are reciprocity and corporation. Mutual activities represent the main factor in improving social capital in the development of entrepreneurship in migrant areas.

In Malaysia, social capital shows negative impact. Solidarity and abundant trust decrease business opportunity in Malaysia because they impede creativity and innovation. This condition is even accelerated by the migrant's citizenship status in host country so that it is difficult for them to obtain permission and location for running the business. In the effort of searching for living, migrants set their main goal and dream to change life to a better condition after returning home.

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